

Senate Bill No. 615

CHAPTER 266

An act to amend Section 742.40 of the Insurance Code, relating to insurance.

[Approved by Governor September 7, 2012. Filed with
Secretary of State September 7, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

SB 615, Calderon. Multiple employer welfare arrangements: benefits.

Commencing January 1, 2014, existing law, the federal Patient Protection and Affordable Care Act (PPACA), requires a health insurance issuer that offers coverage in the small group or individual market to ensure that such coverage includes the essential health benefits package, as defined. Under existing federal law, a health insurance issuer, defined to include an insurance company, insurance service, or insurance organization including a health maintenance organization and excluding a group health plan, that offers health insurance coverage in the individual or small group market is required to ensure that such coverage includes the essential health benefits package. Commencing January 1, 2014, existing law requires specified individuals to ensure that they are covered under minimum essential coverage and a penalty is required to be imposed for failure to comply with that requirement.

Existing law prohibits a self-funded or partially self-funded multiple employer welfare arrangement (MEWA) from providing any benefits for any resident of this state without obtaining a certificate of compliance from the Insurance Commissioner. Existing law imposes various eligibility requirements on a self-funded or partially self-funded MEWA in order to obtain a certificate of compliance, including, among other things, that it be a nonprofit corporation, that it be established and maintained by a specified association with at least 200 paid members, and that benefits be offered only to association members.

Under existing law, a self-funded or partially self-funded MEWA is limited to providing certain benefits that include, among other things, medical, dental, and surgical benefits. Under existing law, a MEWA is required to offer health care coverage benefits to any newly eligible person and his or her dependents under terms and conditions no less favorable than those offered to the MEWA employers' existing employees and their dependents under specified circumstances.

This bill would, commencing January 1, 2014, prohibit a MEWA from offering, marketing, representing, or selling any product, contract, or discount arrangement as minimum essential coverage or as compliant with the essential health benefits requirement under the federal Patient Protection

and Affordable Care Act, unless it meets the applicable requirements under that act.

The people of the State of California do enact as follows:

SECTION 1. Section 742.40 of the Insurance Code is amended to read:

742.40. (a) A multiple employer welfare arrangement shall offer health care coverage benefits to any new eligible person and his or her dependents under terms and conditions no less favorable to those offered to their employers' existing employees and their dependents, if the newly eligible person had health care benefit coverage with either the same or a different multiple employer welfare arrangement within 31 days. The new coverage shall comply with existing eligibility rules of the multiple employer welfare arrangement.

(b) A multiple employer welfare arrangement shall comply with the requirements set forth in Sections 10198.7 and 10198.9.

(c) Notwithstanding any other provision of law, commencing January 1, 2014, a multiple employer welfare arrangement shall not offer, market, represent, or sell any product, contract, or discount arrangement as minimum essential coverage or as compliant with the essential health benefits requirement under the federal Patient Protection and Affordable Care Act, unless it meets the applicable requirements under that act.